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National Cable Television Association

Daniel L. Brenner
Vice President for Law &
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January 24, 1994

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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: MM Docket No. 92-266

Dear Mr. Caton:

On January 24, 1994, Daniel Brenner of the National Cable Television Association wrote to Alexandra Wilson, Acting Chief, Cable Services Bureau regarding the above-captioned docket. Correspondence is attached.

Sincerely,



Daniel L. Brenner

DLN:ldh

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Delivered by Hand

Ms. Alexandra Wilson
Acting Chief, Cable Services Bureau
Federal Communications Commission
2033 M Street, N.W., Room 918A
Washington, D.C. 20554

Dear Sandy:

The Commission's letters of inquiry have sought information on, among other things, whether individual a la carte program offerings constitute a "realistic service choice" for cable subscribers. As part of that inquiry, the Commission has requested that individual cable operators provide information on the level of discount available to subscribers when they purchase a package of a la carte services compared to the sum of the cost for purchasing each channel on an individual basis.

In approaching this issue, we would hope the Commission continues to recognize the benefits of discount packaging. As the Commission in its Rate Report and Order recognized, "[c]able operators should be free to offer collective offerings at a combined price which is less than the sum of the charges for the individual services. Such discounts benefit the customer by making premium channels more affordable and thus more widely available." (Report and Order at ¶ 327).

The offering of discounts when items are purchased as a package is a common marketing practice. Many cable operators have used this marketing concept for years with respect to their "premium" service offerings. While the level of discount for such packages varies widely, discounts can range up to in excess of 50 percent as compared to the purchase of each channel individually. (See attached chart)

The offering of substantial discount packages of a la carte services is also common in the market for programming sales to home satellite dish owners. As an example, Superstar Connection, one of the market leaders in providing service to home dish viewers, offers packages of a la carte offerings with discounts that can range from 14 percent to 56 percent (see attached chart).

In short, substantial discount program packages have long been offered, and continue to be offered, for business reasons that have no connection to the regulatory process. The Commission should continue to recognize the legitimacy of this marketing practice, the degree

Ms. Alexandra Wilson

January 24, 1994

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of discounting accompanying this practice and not unfairly hamper cable operators' ability to continue to provide their subscribers with this same cost savings in connection with their sale of a la carte channels.

If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel Brenner", with a stylized, flowing script.

Daniel L. Brenner

DLB:tkb

Enclosures

cc: Maureen O'Connell, Esq.
Merrill Spiegel, Esq.
Lisa Smith, Esq.

Selected Comparisons of Prices of Multi-Pay Services Offered in Packages and *a la Carte*

Company/Package/Programming	Package Price ¹	Price if Programming Purchased <i>a la Carte</i>	Percentage Difference
Time Warner Cable Cablevision of Raleigh Standard Plus (4 Pay Package)	\$21.65	\$44.00	51%
Cable TV Arlington GreatValue One (HBO, TMC, Encore)	\$14.00	\$30.93	55%

Source: Rate cards of Time Warner Cable/Cablevision of Raleigh and Cable TV Arlington

Selected Comparisons of Prices of Programming Services Offered in Packages and *a la Carte* by Superstar Connection

Package/Programming	Package Price ¹	Price if Programming Purchased <i>a la Carte</i> ²	Percentage Difference
SuperView WGN/WPIX/KTLA/KTVT/WTBS/USA Network/CNBC/ESPN/CNN/Headline News/AMC/Bravo/Family Channel/ Prime Network/Discovery/Lifetime/A&E/Country Music Television/TNN/Weather Channel/Cartoon Network/Comedy Central/ESPN2	\$17.95	\$40.50	56%
SuperView plus HBO or Cinemax, or Showtime or TMC	\$23.00	\$49.50	54%
SuperView plus PrimeTime 24	\$20.95	\$45.50	54%
Sports Pack (WGN/WPIX/KTLA/KTVT/WTBS/WWOR/ WSBK/Satellite Sports Network/ESPN/ ESPN2) Plus Denver 5	\$22.00	\$26.75	18%
Sports Pack Plus Denver 5 and PrimeTime 24	\$25.25	\$31.75	20%
SuperSelect WGN/WPIX/KTLA/KTVT/WTBS/Discovery/ Family Channel/USA Network/CNN/Headline News/TNN/CMT/Weather Channel/Prime Time 24	\$12.50	\$27.00	54%
Superstar "Magnificent" 7 Pack WGN/WPIX/KTLA/KTVT/WTBS/WWOR/ WSBK	\$7.70	\$9.00	14%

1) Monthly retail price.

2) Full, *a la carte* monthly retail prices. Some discounts from the full *a la carte* price may be applicable if a certain number of services are purchased, if some programming services are bought in combinations, or if services are bought on other than a monthly basis.

Source: Rate cards of Superstar Connection, dated 12/29/93.